

The MFAC Report

VOLUME 13 NUMBER 4

SPRING 2008

Entertainment Guild Pension Plan Payment Options

By Karen Cho, CPA

Many of our clients are in the entertainment industry and are members of one or more of the guilds (unions). We are providing a synopsis of each of the four main guilds' plan distributions options. It is imperative that the future retiree fully understand the options and their differences, as once a choice is made it generally cannot be changed.

Producer-Writers Guild

(www.wgaplans.org):

1. Five Year Certain and Life Annuity - This payment option is automatic for an unmarried participant, providing an unreduced monthly benefit for his lifetime. If the participant dies before receiving 60 monthly payments, the remaining payments will be paid to the designated beneficiary until a total of 60 payments have been made.

2. Ten Year Certain and Life Annuity - This is similar to the Five Year Certain option except that this option guarantees 120, rather than 60, monthly payments.

3. Joint and 50%, 66 2/3%, or 100% Survivor Annuity - These options provide a reduced monthly benefit to the participant for life with 50%, 66 2/3%, or 100% (whichever the participant chooses) of such monthly benefit payable to the named beneficiary for their lifetime upon the death of the participant. Under this option, a married participant may name a non-spouse as Joint Annuitant only with the consent of the spouse.

4. Joint and 50%, 66 2/3%, or 100% Survivor Annuity with Pop-up - These options are similar to the Joint and Survivor Annuity options. The difference is that if the Joint Annuitant

dies before the participant, the monthly benefit paid to the participant is increased to the amount that would have been payable under the Five Year Certain and Life Annuity options.

5. Social Security (SS) Adjustment

Benefit - This option is available if you retire early and your benefit from this guild begins before you start drawing SS benefits. This option provides larger monthly payments until such time as SS benefits begin, at which time the monthly payments will be reduced. If you elect this option, there will be no continuation of benefits to anyone after your death.

Directors Guild

(www.dgaplans.org):

This guild's retirement package consists of two types of pension plans, the Basic and the Supplemental Plans. The Basic Plan is a "defined benefit" pension plan which provides a fixed monthly benefit for the participant's lifetime. This plan is funded entirely by contributions made by the participant's employers. The Supplemental Plan, on the other hand, is a defined contribution plan to which both participant and employers contribute. Be aware that neither plan allows loans, hardship withdrawals or distributions while the participant is working until he reaches age 70 1/2.

1. Life Annuity - This option provides monthly payments to the participant for the rest of his life only. There will be no benefits paid to the beneficiary or the participant's estate after death.

2. Ten Year Certain Life Annuity - This option provides monthly

payments for the beneficiary's lifetime or ten years, whichever is longer. If the participant dies before receiving 120 payments, the designated primary beneficiary will continue to receive the remainder, until a total of 120 monthly payments have been made. Additionally, if the primary beneficiary does not survive until the end of the ten-year period, the designated secondary beneficiary becomes the primary beneficiary.

3. Joint and 50%, 75%, or 100% Survivor Annuity

- These options provide a monthly benefit for the participant's lifetime and upon the participant's death, a monthly benefit of 50%, 75%, or 100% of the participant's benefits will continue for the lifetime of the joint annuitant (survivor). However, if the survivor pre-deceases the participant, all benefits will cease upon the death of the participant.

4. Immediate Lump Sum Option

- This option is available to participants who are at least 60 years of age and meet additional criteria outlined in the guild's retirement benefits booklet. A participant who is eligible to elect this option can receive a lump sum "cash out" of his plan benefit. In addition, a participant may be entitled to additional retirement benefits if he has earnings after retirement. However, under this option, there are no benefits payable after the death of the participant. A participant may elect to cash out either the Basic or Supplemental Plans or both.

5. Deferred Lump Sum Option

- This choice is available to participants who have satisfied the eligibility requirements under the Immediate Lump Sum option. Under

(Continued on page 2)

(Guild—Continued from page 1)

this option, a monthly benefit equal to that paid under the Single Life Annuity option is paid until the participant reaches age 65. In the month following the participant's 65th birthday, the balance of the Immediate Lump Sum will be paid as a single payment. If the participant dies prior to age 65, the remaining balance will be paid to the designated beneficiary.

Screen Actors Guild

(www.sagph.org):

1. Five Year Certain - This option is for unmarried participants. It is the same as Option 1 under the Producers-Writers Guild pension plan. If the participant is married, it is available only if the participant and his spouse reject the Husband-and-Wife Pension below.

2. Husband-and-Wife Pension (50%) - This option is for married participants with monthly benefits paid to the participant for his lifetime. After the participant's death, the surviving spouse will receive 50% of the participant's monthly benefit. If the spouse dies before the participant (but after the pension payments have begun), all pension payments will stop upon the death of the participant.

3. Joint and 75% or 100% Survivor Option - This option is available if both participant and annuitant are alive, and, if elected, may only be revoked (in writing) prior to the date the first pension payment is made. Once the benefits have begun under this option, the reduced payments will continue at the same level even if the joint annuitant dies before the participant. This option is similar to Options 3 under the WGA and DGA Guilds.

4. Joint and Survivor Pop-Up Option - This option is similar to the above option except that the monthly benefit will be increased if the joint annuitant dies before the participant. Because this option provides an additional guarantee, the monthly pension amount is reduced more than under Options 2 or 3 above.

5. Ten-Year Certain Option - This is the same as Option 2 under the WGA.

6. Partial Lump-Sum Option - This option allows the participant to receive part of the pension in a lump sum. At

retirement, a lump sum equal to twelve times the monthly benefit the participant would have received under the Five-Year Certain form of payment is paid. Starting with the month after the lump sum payment is made; the remaining benefits are paid in monthly installments for the rest of participant's life.

American Federation of Television and Radio Artists

(www.aftra.org):

1. Five Year Certain and Life Annuity – This option is the same as WGA Option 1.

2. Husband and Wife Annuity – This option pays equal monthly payments as long as the participant lives. Should the participant die before his spouse, the spouse will continue to receive one-half of the monthly payment amounts for his lifetime.

3. Life Benefit Only – This option pays the participant equal monthly payments as long as he lives without paying any benefits after participant's death.

4. 50% and 100% Joint and Survivor Annuity – This option is the same as WGA Option 3.

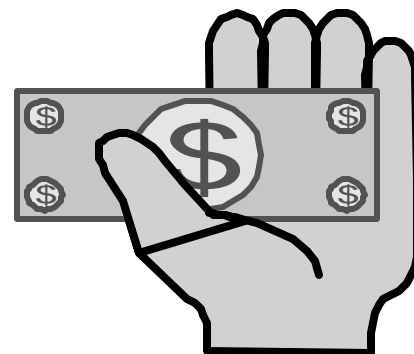
5. Level Income Option ~ This option

is designed for participants who retire prior to being entitled to receive SS benefits. The participant's monthly payments will be higher until he begins to receive SS. At that point, AFTRA payments will decrease so participant maintains the same approximate monthly income between the two pensions. This is the same as WGA Option 5.

6. Pop-Up Option – This option is the same as SAG Option 4.

As earlier stated, it is important to digest and evaluate the options available from the guild(s) you belong to before making a distribution decision. A comfortable retirement is at stake.

Retirement planning is a valuable service that we provide to our clients. We urge you to consult with us before making irrevocable decisions regarding these matters.



Tax Notes

By Tom Trent, EA

The Rebates Are Coming, The Rebates Are Coming (Or Are They?)

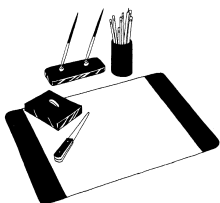
Thanks to the Economic Stimulus Act of 2008, low and middle income taxpayers will be receiving tax rebate checks for up to \$600 (\$1,200 for joint filers) with the checks scheduled to start coming in May. That's good news for them. The bad news is how Congress defined "middle income." While you may consider yourself right there in the middle, if you're single and earn over \$75,000, or married with a household income of over \$150,000, you're going to lose at least part of the rebate, and if you earn over \$99,000 (\$186,000 married) you won't get anything. But at least you can bask in the glow of being considered wealthy (at least by your elected representatives).

But the news might not be all bad for you rich folks, at least the ones with businesses. Even though the press and the pundits generally focused only on the rebates, the Act also has some provisions for enhanced expensing of capital assets. First, the amount of deductible spending under Internal Revenue Code Section 179 for fixed assets purchased in tax years that begin in 2008 increases from \$128,000 to \$250,000. Also, bonus depreciation (which we've seen in prior tax acts) is back, with qualifying taxpayers getting a first-year write-off of 50% of the cost of qualifying property. So, even if a rebate check isn't in their future, our tax clients can rest assured that we are aware of these special rules and will apply them to their advantage, so that they don't totally miss out on all of that "economic stimulus."

From The Corner Office

Enhancing Portfolios with “BRICs” and Vice

By Mitchell Freedman, CPA/PFS, AIF®



I often aver that portfolio construction is as much an art as it is a science. We at MFAC Financial Advisors, Inc. are asset allocators and accordingly we construct clients' portfolios using a broad array of domestic and international equity and fixed income sub-asset classes with a combination of passive index mutual funds and exchange traded funds (ETFs) and actively managed mutual funds. The portfolio and investment decisions are of course based upon our clients' goals, time horizons, and risk tolerances. Portfolios are uniquely constructed for each client.

We have always included gold and precious metals and real estate in our clients' portfolios. About two years ago, in our desire to add “alpha,” (risk-adjusted measure of the so-called excess return on an investment), we began adding additional concentrations in technology, healthcare, and energy. Within the past year we also began adding additional concentrations in steel. Sure, those sectors/

areas were already included within our clients' portfolios, but I wanted to add more.

During 2008 we have begun including one more area of concentration and that is in “BRICs.” This acronym stands for Brazil, Russia, India, and China – four of the most rapidly growing economies on earth. Yes, our international and emerging market investments already include positions with companies located in those countries, but I have determined that additional concentration may add alpha to portfolios. Although relatively new, there are ETFs that enable investors to participate in investments in any of those countries or to purchase shares in an ETF that invests in all of them (BRIC). While the jury is out with respect to long-term performance, we are introducing these concentrations to select client portfolios.

Gordon Gekko said, “greed is good,” in the movie “Wall Street.” If greed is good, what about vice? In our last issue of *The MFAC Report* we talked about everything “green.” Investing in vice may seem “dirty,” but it can be lucrative. Wordspy.com defines vice investing as, “an investment strategy that targets companies selling prod-

ucts related to human vices, such as alcohol, tobacco, gambling, and weapons.” One can purchase individual stocks in this arena. However, we at MFAC are not stock-pickers, so a mutual fund would be our option. There is at least one such mutual fund available. While this is not a recommendation, if vice interests you, look into the aptly named Vice Fund (VICEX). This fund is approximately 5 years old and has handily outperformed both the Standard & Poors 500 and Russell 1000 Indexes in each year of its existence. As I write this article, year to date, it has outperformed the S&P 500 by 590 basis points.

Yes, portfolio construction is as much art as science and we use both scientific and artful methods in our desire to help our clients achieve their life and financial goals.

We love referrals!



Heard In The Hall

Mitch Freedman was featured in the February 11, 2008 issue of *Accounting Today* in the article “The Delicate Art of Picking Mutual funds.” He was also featured in an article in the March/April issue of *Caring Today* answering a question from a reader regarding a dad paying for a stepmother's medical expenses. On January 19, 2008 Mitch attended the semi-annual meeting of The All-Star Financial Group in Las Vegas. January 20th through the 23rd he attended the AICPA Personal Financial Planning Conference in Las Vegas. Mitch was a panelist for three presentations at the conference discussing the subjects “The Financial Issues of Aging,” “PrimePlus/ElderCare Practice Structure,” and “Wealth Management vs. Financial Planning.”

On November 19, 2007, Karen Cho attended a Tax Update and Planning conference in Universal City. Tad Jakes attended the City National Bank Economic Forecast conference in Beverly Hills on February 21, 2008.

Tips and Alerts

Purchase & Refi Window of Opportunity

By Janet Gardner

The Federal Housing Administration (FHA) is now offering higher limits on conforming mortgage loans with a cap of \$729,750, an increase over the previous cap of \$417,000. Fannie Mae and Freddie Mac have conformed. There are various criteria that apply, so if we can assist you in navigating the waters, please contact us. These higher limits will only be offered until December 31, 2008, when the limit is scheduled to go to \$362,790 unless Congress approves legislation to extend the loan limits, so now is the time to act.

Mailing Address Line 1
Mailing Address Line 2
Mailing Address Line 3
Mailing Address Line 4

MFAC FINANCIAL ADVISORS, INC.
AND
MITCHELL FREEDMAN
ACCOUNTANCY CORPORATION
15260 Ventura Boulevard, Suite 940
Sherman Oaks, CA 91403
Telephone: 818-905-0321
Telecopier: 818-789-0484
E-mail: newsletter @ mfac-bizmgt.com
Visit us on the Web @ www.mfac-bizmgt.com

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